

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Summit Township	County Jackson
Fiscal Year End March 31, 2006	Opinion Date August 4, 2006	Date Audit Report Submitted to State September 1, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

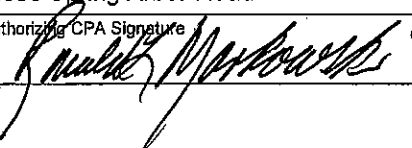
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Markowski & Company, CPAs		Telephone Number 517-782-9351	
Street Address 2880 Spring Arbor Road		City Jackson	State MI
		Zip 49206	
Authorizing CPA Signature 		Printed Name Ronald L Markowski	License Number 1101006941

SUMMIT TOWNSHIP
JACKSON COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED MARCH 31, 2006

SUMMIT TOWNSHIP
ANNUAL FINANCIAL REPORT

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MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD

JACKSON, MICHIGAN 49203

PHONE (517) 782-9351

FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.

RONALD L. MARKOWSKI, C.P.A.

DOUGLAS E. ATKINS, C.P.A.

MEMBERS:

AMERICAN INSTITUTE OF

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF

CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL

OF SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Summit Township Board

Jackson, Michigan

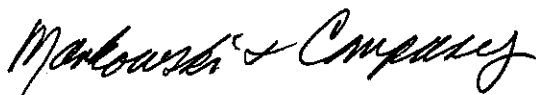
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Summit Township, Michigan, (the "Township") as of and for the year ended March 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Budgetary Comparison schedule, as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



MARKOWSKI & COMPANY CPAs

September 15, 2006

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

**SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Using this Annual Report

As management of Summit Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Summit Township for the fiscal year ended March 31, 2006.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Summit Township as a Whole

The Township has combined net assets of \$28,138,341. A substantial portion of the Township's net assets (74%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure such as water and sewer lines and payments for road construction); less any related debt used to acquire those assets still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Combined net assets decreased by \$94,756, or 1% during the year ended March 31, 2006. Looking at governmental activities separately from the business-type activities, we see that net assets increased \$179,250 this year. Much of this increase resulted from the one time sale of cell tower leases located on real property owned by the Township.

Business-type activities report a decrease in net assets of \$274,006 this year as fees from services were not adequate to cover operating expenses. (Depreciation on capital assets of \$867,804 contributed to this decrease).

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summit Township as a Whole (Continued)

In a condensed format, the following table shows net assets as of March 31, 2006 and 2005:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets	\$ 5,394,165	\$ 5,142,547	\$ 2,668,023	\$ 3,070,019	\$ 8,062,188	\$ 8,212,566
Noncurrent assets	2,742,336	2,620,157	21,447,614	21,591,703	24,189,950	24,211,860
Total assets	8,136,501	7,762,704	24,115,637	24,661,722	32,252,138	\$ 32,424,426
Current liabilities	312,499	144,369	308,619	379,272	621,118	523,641
Noncurrent liabilities	244,444	218,027	3,248,235	3,449,661	3,492,679	3,667,688
Total liabilities	556,943	362,396	3,556,854	3,828,933	4,113,797	4,191,329
Net Assets:						
Invested in capital assets - net of debt	2,512,957	2,620,157	17,979,563	17,872,521	20,492,520	20,492,678
Restricted	-	-	-	-	-	-
Unrestricted	5,066,601	4,780,151	2,579,220	2,960,268	7,645,821	7,740,419
Total net assets	\$ 7,579,558	\$ 7,400,308	\$ 20,558,783	\$ 20,832,789	\$ 28,138,341	\$ 28,233,097

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summit Township as a Whole (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for Services	331,977	277,212	3,110,867	2,932,576	3,442,844	\$ 3,209,788
Operating grants and Contributions	-	-	-	-	-	-
Capital grants and Contributions	74,685	-	5,780	5,780	80,465	5,780
General Revenues						
Property Taxes	658,107	630,473	-	-	658,107	630,473
State-Shared Revenues	1,526,764	1,554,373	-	-	1,526,764	1,554,373
Interest Income	176,868	85,563	70,675	40,890	247,543	126,453
Loss on Sale of Investments	-	-	-	(20,500)	-	(20,500)
Administrative Fees - Other Funds	160,000	-	-	-	160,000	-
Franchise Fees	128,529	122,363	-	-	128,529	122,363
Telecommunication Fees	30,062	53,146	-	-	30,062	53,146
Other Income	240,804	208,605	9,430	26,323	250,234	234,928
Transfers	(150,000)	(90,000)	-	-	(150,000)	(90,000)
Total Revenues	<u>3,177,796</u>	<u>2,841,735</u>	<u>3,196,752</u>	<u>2,985,069</u>	<u>6,374,548</u>	<u>5,826,804</u>
Program Expenses						
Legislative	168,370	134,048	-	-	168,370	134,048
General Government	548,389	618,864	-	-	548,389	618,864
Public Safety	1,882,976	1,802,987	-	-	1,882,976	1,802,987
Public Works	145,495	139,524	-	-	145,495	139,524
Other Functions	81,415	104,483	-	-	81,415	104,483
Depreciation and amortization	171,901	157,243	-	-	171,901	157,243
Water and Sewer	-	-	3,470,758	3,585,490	3,470,758	3,585,490
Total Expenses	<u>2,998,546</u>	<u>2,957,149</u>	<u>3,470,758</u>	<u>3,585,490</u>	<u>6,469,304</u>	<u>6,542,639</u>
Change in Net Assets	<u>179,250</u>	<u>(115,414)</u>	<u>(274,006)</u>	<u>(600,421)</u>	<u>(94,756)</u>	<u>\$ (715,835)</u>

SUMMIT TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Township's management has taken actions to reduce expenditures. The Township does not have many options to increase revenue. The Township's total government activity revenues excluding transfers were \$3,327,796 this year. Property taxes were \$658,107 or 20% of the total revenues. Property tax increases are controlled by various State laws that restrict the increase in taxable values to amounts at or below the rate of inflation. State revenue sharing was \$1,526,764 or 46% of total governmental revenue. Distribution of this revenue is also controlled by State law. The remaining 34% of governmental activity revenue is comprised mostly of charges for services and investment income. The Township's budget is expended largely on public safety consisting of fire and police protection with expenditures of \$1,731,033 or 58%, and building code enforcement of \$151,943 or 5% of total expenditures. The remaining budget being dedicated to other functions such as elections, assessing, zoning, roads and streets and Township administration. Township management recognizes that at some point in the not too distant future the disparity of flat revenues and the ever increasing cost of public safety must be addressed.

Business-Type Activities

The Township's business-type activities consist of its Water and Sewer funds. Operating revenues of the business-type activities increased by \$164,178 or 6%. Operating expenses decreased by \$109,920 or 4%. Much of the decrease in expenditures is a result of lower costs of sewer purchases. While the business-type net assets decreased this past year, the decrease was less than depreciation charged on assets. Beginning in 2006/07 water and sewer rates have been increased to reflect the need to fund future expansion and maintenance needs.

The Township's Funds

The fund financial statements provide a more detailed analysis of the Township's operations, which is focused primarily on the current use of available resources. The Township maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, relates to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State Shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance decreased \$208,107 largely due to the transfer of \$480,000 to other funds for Township capital outlay and operations. Total expenditures in the General Fund were \$3,175,292 this year including these fund transfers.

The revenues of the Township remain steady. Even as State Shared revenues decrease the Township has increased other revenues such as telecommunication fees and local franchise fees, as well as being reimbursed for operating and administrative fees from the Water and Sewer Fund. Total revenue in the General Fund was \$2,967,185 this year, comprised of State Shared revenues \$1,526,764 or 52% and taxes and penalties \$658,107 or 23% with the remaining revenues received from other sources.

SUMMIT TOWNSHIP MANAGEMENT DISCUSSION AND ANALYSIS

The Township's Funds (Continued)

The Water and Sewer Fund is used to account for business-like activities provided to the Township's residents. The Township charges for water and sewer service and other related goods and services. Net assets decreased by \$274,006 in large part due to depreciation of \$867,804. Total Operating revenues of \$3,123,077 increased \$164,178 in part due to increased tap on and connection fees.

Total operating expenses of \$3,383,963 decreased \$109,920 due in large part to decreased cost in sewer treatment expenses. Other major expenses include interest on debt \$85,688, and system maintenance and supplies \$506,883.

The Township maintains several Special Revenue Funds to account for resources set aside for specific purposes as well as Expendable Trust Funds to account for assets held for individuals in a trustee capacity.

General Fund Budgetary Highlights

The original budget adopted for the Township's General Fund projected a \$201,500 decrease in fund balance, with the General Fund transferring \$450,000 to other funds. As the year progressed, and actual events took place an amended budget was adopted to reflect the changing financial picture.

The final General Fund budget projected a \$171,400 decrease in fund balance as changes were made as needed.

Capital Asset and Debt Administration

At the end of the March 31, 2006 fiscal year, the Township had \$23,822,520 invested in its capital assets, net of accumulated depreciation. In the past few years the Township has completed a major addition and renovation project on current Township facilities, as well as a new fire station and public works facilities. In the current year the Township installed back up generators to keep water and sewer services functioning in an emergency and acquired new firefighter equipment through the acquisition of a grant to increase safety.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and improvements	\$ 108,918	\$ 276,068	\$ 384,986
Building and improvements	1,656,029	695,391	2,351,420
Water and Sewer Systems	-	19,728,022	19,728,022
Machinery & equipment	368,027	610,082	978,109
Office equipment	25,419	-	25,419
Vehicles	354,564	-	354,564
Total	<u>\$ 2,512,957</u>	<u>\$ 21,309,563</u>	<u>\$ 23,822,520</u>

At the end of the year the Township had total debt outstanding of \$3,330,000. The debt represents general obligation bonds from the water and sewer fund.

SUMMIT TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The Township anticipates that 2006/2007 will present fiscal challenges for the Township with additional reductions in revenue sharing from the State and slight reductions in the Township millage.

The Township plans on continued improvement of Township roads by partnering with the County Road Commission to pave the remaining gravel roads within the Township.

Along with efficiently carrying out routine management and operating responsibilities, management looks forward to the challenge of planning for the future of Summit Township.

The Township is planning for the construction of a new elevated water tank. This will provide additional capacity to comply with Michigan Department of Environmental Quality requirements.

The Township has been awarded an Abandoned Well Management Grant by the Michigan Department of Environmental Quality for the identification and plugging of wells within the Township municipal water well delineation areas. Additional funding will be requested in 2006/2007 which will enable completion of the project.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show our accountability for the money received. If you have questions about this report, or would like additional information, we welcome you to contact the Township Supervisor at 2121 Ferguson Rd, Jackson, Michigan 49203.

SUMMIT TOWNSHIP
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED MARCH 31, 2006

SUMMIT TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 3,510,509	\$ 1,891,112	\$ 5,401,621
Investments	1,501,499	220,390	1,721,889
Accounts receivable	255,938	461,584	717,522
Due from other governments	46,931	71,292	118,223
Internal balances	79,044	(70,036)	9,008
Prepaid expenses	244	-	244
Inventory	-	44,618	44,618
Notes receivable - current	-	10,477	10,477
Special assessment receivable - current	-	38,586	38,586
Total current assets	<u>5,394,165</u>	<u>2,668,023</u>	<u>8,062,188</u>
Noncurrent assets:			
Capital assets not being depreciated	58,022	252,223	310,245
Capital assets being depreciated, net	2,454,935	21,057,340	23,512,275
Notes receivable - long term	-	11,575	11,575
Special assessment receivable - long term	-	110,980	110,980
Bond issuance costs	-	15,496	15,496
Intangible asset - road construction	229,379	-	229,379
Total noncurrent assets	<u>2,742,336</u>	<u>21,447,614</u>	<u>24,189,950</u>
Total assets	<u>8,136,501</u>	<u>24,115,637</u>	<u>32,252,138</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	130,334	102,830	233,164
Accrued payroll	138,042	5,789	143,831
Bonds, notes, and loans payable - current	44,123	200,000	244,123
Total current liabilities	<u>312,499</u>	<u>308,619</u>	<u>621,118</u>
Noncurrent liabilities:			
Bonds, notes, and loans payable - long term	44,122	3,130,000	3,174,122
Compensated absences	200,322	118,235	318,557
Total noncurrent liabilities	<u>244,444</u>	<u>3,248,235</u>	<u>3,492,679</u>
Total liabilities	<u>556,943</u>	<u>3,556,854</u>	<u>4,113,797</u>
NET ASSETS:			
Invested in capital assets - net of related debt	2,512,957	17,979,563	20,492,520
Unrestricted	5,066,601	2,579,220	7,645,821
Total net assets	<u>\$ 7,579,558</u>	<u>\$ 20,558,783</u>	<u>\$ 28,138,341</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 168,370	\$ -	\$ -	\$ -
General government	548,389	31,805	-	74,685
Public safety	1,882,976	165,146	-	-
Public works	145,495	128,826	-	-
Other functions	81,415	6,200	-	-
Depreciation and amortization	171,901	-	-	-
Total governmental activities	2,998,546	331,977	-	74,685
Business-type activities				
Water and sewer	3,470,758	3,110,867	-	5,780
Total government	\$ 6,469,304	\$ 3,442,844	\$ -	\$ 80,465

General revenues:

Property taxes
State-shared revenues
Interest income
Administrative fees - from other funds
Franchise fees
Telecommunication fees
Other income
Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning

Net assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (168,370)	\$ -	\$ (168,370)
(441,899)	-	(441,899)
(1,717,830)	-	(1,717,830)
(16,669)	-	(16,669)
(75,215)	-	(75,215)
(171,901)	-	(171,901)
(2,591,884)	-	(2,591,884)
-	(354,111)	(354,111)
(2,591,884)	(354,111)	(2,945,995)
658,107	-	658,107
1,526,764	-	1,526,764
176,868	70,675	247,543
160,000	-	160,000
128,529	-	128,529
30,062	-	30,062
240,804	9,430	250,234
(150,000)	-	(150,000)
2,771,134	80,105	2,851,239
179,250	(274,006)	(94,756)
7,400,308	20,832,789	28,233,097
\$ 7,579,558	\$ 20,558,783	\$ 28,138,341

**SUMMIT TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 1,566,217	\$ 1,944,292	\$ 3,510,509
Investments	404,004	1,097,495	1,501,499
Accounts receivable	252,383	2,812	255,195
Prepaid expenses	244	-	244
Accrued interest receivable	257	486	743
Due from other funds	95,585	-	95,585
Due from other governments	37,741	9,190	46,931
Total assets	<u>\$ 2,356,431</u>	<u>\$ 3,054,275</u>	<u>\$ 5,410,706</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 119,003	\$ 11,331	\$ 130,334
Accrued payroll	136,332	1,710	138,042
Due to other funds	-	16,541	16,541
Total liabilities	<u>255,335</u>	<u>29,582</u>	<u>284,917</u>
FUND BALANCES			
Fund balances - Unreserved	2,100,852	3,024,693	5,125,545
- Designated	244	-	244
Total Fund Balance	<u>2,101,096</u>	<u>3,024,693</u>	<u>5,125,789</u>
Total liabilities, fund equity and other credits	<u>\$ 2,356,431</u>	<u>\$ 3,054,275</u>	<u>\$ 5,410,706</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total fund balance - total governmental funds	\$ 5,125,789
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. For purposes of this reconciliation capital assets are netted with accumulated depreciation.	2,512,957
The Township has a road agreement with the County Road Commission, to share in the cost of road construction. The Township does not own or maintain these roads and therefore they are not reported in the governmental funds balance sheet. Amount shown net of related amortization.	229,379
The Township's road agreement payments are spread over a five year period. Long term liabilities are not reported in the governmental funds balance sheet.	(88,245)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(200,322)</u>
Net assets of governmental activities	<u>\$ 7,579,558</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
State shared revenues	\$ 1,526,764	\$ -	\$ 1,526,764
Fines and forfeitures	24,391	-	24,391
Interest and rentals	85,988	90,880	176,868
Taxes and penalties	658,107	128,826	786,933
Licenses and fees	177,690	140,755	318,445
Other revenue	494,245	150	494,395
Total revenues	<u>2,967,185</u>	<u>360,611</u>	<u>3,327,796</u>
EXPENDITURES:			
Current:			
Legislative	168,370	-	168,370
General government	543,049	-	543,049
Public safety	1,837,458	151,943	1,989,401
Public works	-	217,045	217,045
Other functions	146,415	-	146,415
Total expenditures	<u>2,695,292</u>	<u>368,988</u>	<u>3,064,280</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>271,893</u>	<u>(8,377)</u>	<u>263,516</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	330,000	330,000
Operating transfers (out)	<u>(480,000)</u>	<u>-</u>	<u>(480,000)</u>
Total other financing sources (uses)	<u>(480,000)</u>	<u>330,000</u>	<u>(150,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>(208,107)</u>	<u>321,623</u>	<u>113,516</u>
FUND BALANCE - Beginning of year	<u>2,309,203</u>	<u>2,703,070</u>	<u>5,012,273</u>
FUND BALANCE - End of year	<u>\$ 2,101,096</u>	<u>\$ 3,024,693</u>	<u>\$ 5,125,789</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities.
Year ended March 31, 2006

Net change in fund balances - total governmental funds	\$ 113,516
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	154,930
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(163,357)
Governmental funds report road payments to the County Road Commission as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those intangible assets is allocated over their estimated useful lives as amortization expense.	65,000
Amortization expense on intangible assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, amortization expense is not reported as an expenditure in governmental funds.	(8,544)
Earned leave expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	<u>17,705</u>
Change in net assets of governmental activities	<u>\$ 179,250</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,891,112
Investments	220,390
Receivables	461,584
Inventory, at cost - Pumps and meters	44,618
Due from other governments	71,292
Notes Receivable - Short-term	49,063
Total current assets	<u>2,738,059</u>

Noncurrent assets:

Land	252,223
Buildings and improvements	775,680
Machinery, equipment and vehicles	1,547,561
Sewer and water lines	38,459,406
Less - Accumulated depreciation	<u>(19,725,307)</u>
Net property, plant and equipment	21,309,563
Notes receivable - Long-term	11,575
Special assessment receivable - Long-term	110,980
Unamortized bond issuance costs	15,496
Total noncurrent assets	<u>21,447,614</u>
Total assets	<u>24,185,673</u>

LIABILITIES

Current liabilities:

Accounts payable	102,830
Accrued payroll	5,789
Due to other funds	70,036
Bonds, notes, and loans payable	200,000
Total current liabilities	<u>378,655</u>

Noncurrent liabilities:

Compensated absences	118,235
Bonds, notes, and loans payable	3,130,000
Total noncurrent liabilities	<u>3,248,235</u>
Total liabilities	<u>3,626,890</u>

NET ASSETS

Invested in capital assets, net of related debt	18,006,237
Restricted	44,618
Unrestricted	2,507,928
Total net assets	<u>\$ 20,558,783</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2006

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
CHARGES FOR SERVICES:			
Usage charges	\$ 1,185,068	\$ 1,343,451	\$ 2,528,519
Inspection fees	-	4,886	4,886
Tap on charges and connection fees	238,029	109,220	347,249
Total charges for services	<u>1,423,097</u>	<u>1,457,557</u>	<u>2,880,654</u>
OTHER REVENUES:			
Penalties	14,794	19,156	33,950
Grinder pumps	-	118,500	118,500
Meters and curb boxes	15,591	-	15,591
Reimbursements from other governmental units	24,146	7,910	32,056
Interest - Tap on charges and connection fees	12,900	17,790	30,690
Miscellaneous revenues	3,215	3,215	6,430
Materials and repairs	2,139	3,067	5,206
Total other revenues	<u>72,785</u>	<u>169,638</u>	<u>242,423</u>
TOTAL OPERATING REVENUES	<u>1,495,882</u>	<u>1,627,195</u>	<u>3,123,077</u>
ADMINISTRATION EXPENSES:			
Salaries and wages	161,305	161,305	322,610
Employees' social security	12,346	12,060	24,406
Employees' health insurance	34,656	34,652	69,308
Employees' life insurance	327	326	653
Retirement contribution	29,918	29,944	59,862
Office supplies	9,220	223	9,443
Computer supplies	800	800	1,600
Professional services	48,861	8,298	57,159
Telephone	2,906	2,504	5,410
Repairs and maintenance	8,263	7,940	16,203
Administration fee	80,000	80,000	160,000
Insurance	8,192	8,192	16,384
Mowing	3,124	1,642	4,766
Clothing/safety protection	781	780	1,561
Education and training	3,514	180	3,694
Fuel	7,787	8,596	16,383
Total administration expenses	<u>412,000</u>	<u>357,442</u>	<u>769,442</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2006

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
PUMPING AND DISTRIBUTION EXPENSES:			
Depreciation	\$ 220,674	\$ 647,130	\$ 867,804
Grinder pumps	-	114,126	114,126
Supplies	205,139	96,446	301,585
Repairs and maintenance	65,083	140,215	205,298
Heat, light and power	108,261	55,714	163,975
Water/sewer purchases	22,409	833,911	856,320
Main tap expenses	80,663	24,750	105,413
Total pumping and distribution expenses	<u>702,229</u>	<u>1,912,292</u>	<u>2,614,521</u>
TOTAL OPERATING EXPENSES	<u>1,114,229</u>	<u>2,269,734</u>	<u>3,383,963</u>
OPERATING INCOME (LOSS)	<u>381,653</u>	<u>(642,539)</u>	<u>(260,886)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	56,540	14,135	70,675
Gain(loss) on sale of assets	1,500	1,500	3,000
Interest expense	(85,688)	-	(85,688)
Amortization of bond issuance cost	(1,107)	-	(1,107)
Total nonoperating revenues (expenses)	<u>(28,755)</u>	<u>15,635</u>	<u>(13,120)</u>
Change in net assets	352,898	(626,904)	(274,006)
Total net assets - beginning of year			<u>20,832,789</u>
Total net assets - end of year			<u><u>\$ 20,558,783</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
PROPRIETARY FUND STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2006

	<u>WATER AND SEWER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,040,506
Payments to suppliers	(2,101,784)
Payments to employees	(490,027)
Cash paid to other funds	(121,158)
Other receipts (payments)	111,185
Net cash provided (used) by operating activities	<u>438,722</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(779,846)
Principal and interest paid on capital debt	(280,689)
Proceeds from notes receivable	58,900
Proceeds from sale of assets	3,000
Net cash provided (used) by capital and related financing activities	<u>(998,635)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>70,675</u>
Net cash provided (used) by investing activities	<u>70,675</u>
 Net increase (decrease) in cash and cash equivalents	 (489,238)
Balances - beginning of year	<u>2,600,740</u>
Balances - end of year	<u>\$ 2,111,502</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (260,886)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	867,805
Change in assets and liabilities	
Receivables - net	(82,571)
Due from other governments	(1,514)
Inventories	114,125
Accounts payable	(62,465)
Due to other funds	(121,158)
Accrued expenses	(14,614)
Net cash provided by operating activities	<u>\$ 438,722</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2006

	MEDICAL INSURANCE FUND	SICK PAY FUND	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 444,083	\$ 52,399	\$ 80,138
Investments	104,052	208,810	-
Interest receivable	165	76	-
Prepaid expenses	9,781	-	-
Due from other funds	-	17,443	-
	<u>558,081</u>	<u>278,728</u>	<u>\$ 80,138</u>
LIABILITIES			
Due to other funds	-	-	\$ 26,451
Due to other governments	-	-	53,687
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 80,138</u>
NET ASSETS			
Held in trust for employee benefits	<u>\$ 558,081</u>	<u>\$ 278,728</u>	

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2006

	MEDICAL INSURANCE FUND	SICK PAY FUND
ADDITIONS		
Employer contributions	\$ 150,000	\$ -
Retirees medical reimbursements	3,470	-
Interest income	15,842	13,256
Total additions	<u>169,312</u>	<u>13,256</u>
DEDUCTIONS		
Benefits	<u>119,447</u>	<u>60,985</u>
Change in net assets	49,865	(47,729)
Net assets - beginning of year	<u>508,216</u>	<u>326,457</u>
Net assets - end of year	<u><u>\$ 558,081</u></u>	<u><u>\$ 278,728</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

SUMMIT TOWNSHIP
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SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The accounting policies of Summit Township, Michigan (the "Township") conform to generally accepted accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant policies used by Summit Township, Michigan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF TOWNSHIP OPERATIONS:

Summit Township was organized in 1857 and is located in the center of Jackson County. The Township operates under an elected Board of Trustees and Officers and provides services to its more than 21,500 residents in many areas, including law enforcement, fire protection, water and sewer operations, community enrichment and development, human services, and general administrative services.

B. REPORTING ENTITY:

Summit Township is a municipal corporation governed by an elected board of trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. In accordance with this criteria, there are no component units included in this reporting entity.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental fund:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following nonmajor funds:

- The Building and Site Special Revenue Fund accounts for resources set aside for Township capital improvements.
- The Public Improvement Special Revenue Fund accounts for resources set aside for Township improvements which cannot be used for general government purposes.
- The Equipment Special Revenue Fund accounts for resources set aside for the purchase of equipment.
- The Street Lighting Special Revenue Fund accounts for the costs of lighting certain portions of the Township, and the special assessments levied upon benefiting property owners to finance these districts
- The Improvement Revolving Special Revenue Fund accounts for all resources set aside for future capital improvements.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

- The Building Code Special Revenue Fund accounts for all activities of the building department. This fund was established to facilitate compliance with Michigan Public Act 245 of 1999, which requires that fees charged bear a reasonable relationship to the costs of operating a building department.

The Township reports the following major proprietary funds:

- The Water and Sewer Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The Township also reports the following fund types:

- The Expendable Trust Funds – Medical Insurance and Sick Pay Funds – account for assets held for individuals in a trustee capacity.
- The Agency Funds – Trust and Agency and Current and Delinquent Tax Funds – account for assets held for other governments and individuals in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards issued by the GASB. The Township has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes levied by the Township.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relates to charges to customers for services provided. The Water and Sewer Fund also recognize the portion of tap on fees intended to recover current costs (e.g. the labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as capital grants and contributions. Operating costs for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is generally the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY

1. DEPOSITS AND INVESTMENTS

The Township reports cash on hand, demand deposit bank accounts, short term investments with an original maturity of three months or less from the date of acquisition, as cash and cash equivalents. Financial instruments not meeting these criteria are reported as investments. The Township reports investments at their fair value.

2. RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

The Township has not established a reserve for uncollectible accounts based on its past experience.

The Township records various receivables which are listed and described as follows:

- 1) Accounts - The accounts receivable in the general, special revenue, and enterprise funds are charges for services, which have been billed but not yet received.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

2. RECEIVABLES AND PAYABLES: (Continued)

- 2) Main Tap Fees - The Township records the assessments levied for the water system for which payment will be made with an assessment on the property over a period of years.
- 3) Connection Fees - The connection fees in the Enterprise Fund represent hook-up charges to the benefited parties for which payment will be made over a number of years.
- 4) Notes Receivable - The Township records all notes in the appropriate funds as transactions occur.
- 5) Accrued Interest - Accrued interest is recorded in the Special Revenue Funds and the Water and Sewer Fund for interest earned but not yet received.
- 6) Special Assessment - The Township records the assessments levied for the sewer system for which payment will be made with an assessment on the property over a period of years.

3. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both government-wide and fund financial statements.

4. INVENTORIES

Inventories are valued at the lower of cost or market, the inventories in the Business type activities consist of grinder pumps and water meters available for sale.

5. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Township policy as assets with an individual cost or value of \$5,000 or more when acquired and a useful life in excess of one year. Purchased assets are recorded at their actual costs. Donated capital assets are reported at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

5. CAPITAL ASSETS (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Land and Improvements	10-20
Building and Improvements	10-40
Sewer and Water Systems	10-50
Machinery and equipment	5-20
Office Equipment	5
Vehicles	5-20

Depreciation is allocated to the appropriate function in the government-wide financial statements. Assets such as the municipal building, which is a multi-function facility, are allocated to the general government function.

6. ACCRUED LEAVE PAYABLE:

The Township policy is to accrue unused sick pay for all employees. However, an employee cannot accrue more than 120 days of sick time. At the end of the fiscal year, all excess accumulated sick leave is paid to the employees at their regular rate of pay. One week's vacation may be carried to the following year. Any unused vacation pay at the end of the fiscal year is paid to the employees at their regular rate of pay. A liability for accrued sick and vacation time has been established in the government-wide financial statements.

7. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the appropriate governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. These costs are reported net of accumulated amortization as bond issuance cost.

8. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation (e.g. prepaid expenses) or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

9. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION:

Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles generally accepted in the United States of America (GAAP). Budget amounts included in the financial statements are as originally adopted, and the final amended budget adopted by the Township Board. Budget amendments may be adopted by a simple majority vote of the Board at any open meeting of the Board. All appropriations lapse at the end of the fiscal year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds (General Operating and Special Revenue Funds) have been shown on a functional basis. The approved budgets of the Township for these funds were adopted to the departmental level. For the year ended March 31, 2006, the Township incurred expenditures in the budgetary funds which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government - Township treasurer	\$ 120,600	\$ 121,441	\$ (841)
General Government - Fire department	1,333,000	1,411,504	(78,504)

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan.

The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications and which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1: Insured or registered, or securities held by the Township or its agent in the Township's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	Category 1	Category 2	Category 3	Carrying Value	Market Value
Cash and cash equivalents	\$ 352,399	\$ 5,625,842	\$ -	\$ 5,978,241	\$ 5,978,241
Investments (Certificate of deposits)	-	2,034,751	-	2,034,751	2,034,751
	<u>\$ 352,399</u>	<u>\$ 7,660,593</u>	<u>\$ -</u>	<u>\$ 8,012,992</u>	<u>\$ 8,012,992</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

	Carrying Amount	Bank Balance
Cash on hand	\$ 200	\$ -
Insured (FDIC)	352,399	352,399
Uninsured and uncollateralized	5,625,642	5,993,699
	<u>\$ 5,978,241</u>	<u>\$ 6,346,098</u>

Reported in financial statements:

Governmental Funds	\$ 3,510,509
Proprietary Funds (Business-type)	1,891,112
Fiduciary Funds	576,620
	<u>\$ 5,978,241</u>

The Township has invested cash in excess of current requirements in governmental pooled investment funds, and certificates of deposit which is allowable under State Law.

Investments of the Township can be categorized as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ -	\$ -
Uninsured and uncollateralized	2,034,751	2,034,751
	<u>\$ 2,034,751</u>	<u>\$ 2,034,751</u>

Reported in financial statements:

Governmental Funds	\$ 1,501,499
Proprietary Funds (Business-type)	220,390
Fiduciary Funds	312,862
	<u>\$ 2,034,751</u>

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township limits exposure risk to interest rate risk by having investments at short-term maturities.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a Government's investment in a single issuer. As of March 31, 2006, Summit Township held 47.9% of its deposits and investments with Flagstar Bank, 41.3% with Citizens Bank, 10.1% with American 1 Federal Credit Union, and 0.7% with Comerica Bank.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at March 31, 2006 are as follows:

<u>FUND</u>	<u>RECEIVABLES</u>	<u>FUND</u>	<u>PAYABLES</u>
General	\$ 95,585	Water and Sewer	\$ 52,593
	-	Delinquent Tax	530
	-	Building Code	15,182
	-	Public Improvement	1,359
	-	Current Tax	25,921
	<u>95,585</u>		<u>95,585</u>
Sick Pay	<u>17,443</u>	Water and Sewer	<u>17,443</u>
		Total	
Total	<u>\$ 113,028</u>		<u>\$ 113,028</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year is summarized below:

Asset Category	Balance 3/31/05	Additions	Disposals	Balance 03/31/06
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 58,022	\$ -	\$ -	\$ 58,022
Capital assets, being depreciated:				
Land improvements	54,801	-	-	54,801
Building and improvements	2,233,355	-	-	2,233,355
Machinery and equipment	583,412	154,930	-	738,342
Office equipment	47,073	-	-	47,073
Vehicles	777,472	-	-	777,472
Total capital assets being depreciated	3,696,113	154,930	-	3,851,043
Less - Accumulated Depreciation:				
Land improvements	\$ (1,302)	\$ (2,603)	\$ -	\$ (3,905)
Building and improvements	(522,182)	(55,144)	-	(577,326)
Machinery and equipment	(317,408)	(52,907)	-	(370,315)
Office equipment	(17,788)	(3,866)	-	(21,654)
Vehicles	(374,071)	(48,837)	-	(422,908)
Total accumulated depreciation	(1,232,751)	(163,357)	-	(1,396,108)
Total capital assets being depreciated, net	2,463,362	(8,427)		2,454,935
Capital assets, net	\$ 2,521,384	\$ (8,427)	\$ -	\$ 2,512,957

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS: (Continued)

Capital asset activity for the year is summarized below:

Business-Type Activities:

Capital assets, not being depreciated:

Land	\$ 78,195	\$ 174,028	\$ -	\$ 252,223
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Capital assets, being depreciated:

Land improvements	29,223	-	-	29,223
Buildings and improvements	746,457	-	-	746,457
Machinery and equipment	1,117,838	471,046	(41,323)	1,547,561
Water and Sewer Systems	38,324,634	134,772	-	38,459,406

Total capital assets being depreciated

40,218,152	605,818	(41,323)	40,782,647
------------	---------	----------	------------

Less - Accumulated Depreciation:

Land improvements	(4,182)	(1,196)	-	(5,378)
Building and improvements	(32,149)	(18,917)	-	(51,066)
Machinery and equipment	(923,786)	(55,016)	41,323	(937,479)
Water and Sewer Systems	(17,938,709)	(792,675)	-	(18,731,384)

Total accumulated depreciation

(18,898,826)	(867,804)	41,323	(19,725,307)
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Total capital assets being depreciated, net

21,319,326	(261,986)	-	21,057,340
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Capital assets, net

\$21,397,521	\$ (87,958)	\$ -	\$ 21,309,563
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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

Total depreciation expense, governmental activities	<u>\$ 163,357</u>
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Business-Type Activities:

Total depreciation expense, business-type activities	<u>\$ 867,804</u>
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SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – NOTES RECEIVABLE:

In an effort to encourage a large manufactured housing development to connect to the municipal water system, Summit Township offered to finance the water main tap extensions for the private owners. A formal note exists calling for monthly payments plus interest at 10 percent. The remaining balance of \$22,052 represents the current balance as of March 31, 2006.

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE:

The Township allowed residents within the special assessment districts the option of paying over a ten to eighteen year period. Interest is charged at 7 to 7.25% over the average bond rate. No allowance for uncollectible accounts has been established as the assessments create a first lien against the assessed property. Past experience has indicated that the receivable will be completely collected. The remaining balance of \$149,566 represents the current balance as of March 31, 2006.

NOTE 8 - LONG-TERM DEBT:

The Township issued bonds to finance the construction of a water system extension. These bonds are general obligation unlimited tax bonds, and pledge the full faith and credit of the Township.

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2006:

	Balance 03/31/05	Repayments	Additional Debt	Balance 03/31/06
Governmental Activities:				
Township road agreement - Jackson County Road Commission	\$ 14,095	\$ (65,000)	\$ 139,150	\$ 88,245
Business-Type Activities:				
General Obligation bonds - Summit Township 1998 Michigan Municipal Bond Authority Michigan Drinking Water Revolving Fund Program - DPW Bonds issued through the State of Michigan. \$4,443,609 maturing semiannually in annual amounts ranging from \$180,000 to \$280,000, at an interest rate of 2.50%	\$ 3,525,000	\$ (195,000)	\$ -	\$ 3,330,000

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT: (Continued)

Presented below is a summary of debt service requirements to maturity by years:

Year Ending March 31	Business-Type Activities	
	Principle	Interest
2007	200,000	80,750
2008	205,000	75,687
2009	210,000	70,500
2010	215,000	65,188
2011	225,000	59,687
Thereafter	2,275,000	265,188
	<u>\$ 3,330,000</u>	<u>\$ 617,000</u>

NOTE 9 - FUND EQUITY:

A. RESERVES AND DESIGNATIONS:

Board action and requirements of generally accepted accounting principles have reserved and designated portions of fund equity in certain funds, indicating the amount not available for funding current year's activities. These can be summarized as follows:

	General Fund	Proprietary Fund	Fiduciary Funds	Total
Designated:				
Compensated Absences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,428</u>	<u>\$ 177,428</u>
Reserved:				
For Prepaid Expenses	\$ 244	\$ -	\$ 9,781	\$ 10,025
For Inventory	-	44,618	-	44,618
	<u>\$ 244</u>	<u>\$ 44,618</u>	<u>\$ 9,781</u>	<u>\$ 54,643</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - PROPERTY TAXES:

Real and personal property taxes are levied on December 1st of each year, and are due to the Township by the last day of the following February. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. Delinquent real property taxes are paid to the Township by Jackson County. Therefore, the General Fund reflects as revenues the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected, which does not materially differ from the full accrual method of revenue recognition.

The Township's operating tax rate for the year ended March 31, 2006 was .8187 mills, levied on property with a Taxable Value of \$579,078,041 dollars.

NOTE 11 - PENSION PLAN:

Defined Benefit Pension Plan:

Substantially all of Summit Township's employees participate in the Michigan Municipal Employee's Retirement System ("The System"), a multiple employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2005 was \$1,067,337 and the Township's total payroll for the year was \$1,683,667.

All Summit Township's full time salaried, union, clerical, and all Board Members are eligible to participate in the System. The System's retirement eligibility, vesting, and benefits are determined as follows:

	<u>NON-UNION</u>	<u>UNION</u>
Retirement Eligibility	Age 60/55 with 8/20 or more years of credited service, respectively	Age 60/50 with 8/25 or more years of credited service, respectively
Vesting	After 8 years of service	After 8 years of service
Benefit Formula	2.5% of Final Average Compensation, multiplied by credited service with a maximum benefit of 80% of the Final 3 years of Average Compensation.	2.5% of Final Average Compensation, multiplied by credited service with a maximum benefit of 80% of the Final 3 years of Average Compensation.

The System also provides death and disability benefits. Benefits are established by state statute. Benefit D-2 was adopted that will provide a retirement allowance for a duty-connected disability.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN: (Continued)

Defined Benefit Pension Plan: (Continued)

Employees are not required to make contributions to the System. However, they may elect to contribute a percentage of their annual compensation. The percent is selected by the member's municipality ranging from 0% to 10% in 0.1% increments.

The "Actuarial Accrued Liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers.

The Actuarial Accrued Liability for Summit Township at December 31, 2005, (the most recent date available) is determined through an actuarial valuation performed as of that date. Significant actuarial assumptions used in determining the pension benefit obligation included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% annually after retirement.

At December 31, 2005, for Summit Township, the Actuarial Accrued Liability was \$1,460,966 determined as follows:

Retirees and beneficiaries currently receiving benefits	\$ 4,023,469
Terminated employees not yet receiving benefits	161,628
Current employees -	
Accumulated employee contributions, including	
allocated investment income	143,778
Employer financed	2,639,937
Total Actuarial Accrued Liability	<u>6,968,812</u>
Net assets available for benefits, at actuarial value	
(Market Value is \$5,362,710)	<u>5,507,846</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 1,460,966</u></u>

During the year ended December 31, 2005, the plan for Summit Township experienced a net change of \$72,545 in the Unfunded Actuarial Liability. The combined change in the Unfunded Actuarial Liability resulting from benefit changes and revisions in actuarial assumptions is \$0.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN: (Continued)

Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The payments for the fiscal year ended March 31, 2006 were determined using an attained age actuarial funding method. Unfunded Actuarial Accrued Liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the Unfunded Actuarial Liability.

The annual required and actual contribution as of December 31, 2005 was \$260,664.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the plan's year ended December 31 is presented as follows:

Year	Net Assets Avail- able for Benefits as Percentages of the UAL	UAL as Percent- ages of Annual Payroll	Employer Contributions as Percentages of Annual Payroll	
			Union	Non-Union
1996	101.00%	0.00%	9.68%	11.02%
1997	92.00%	31.00%	10.56%	15.24%
1998	89.00%	42.00%	11.20%	15.74%
1999	94.00%	24.00%	10.37%	15.31%
2000	87.00%	56.00%	10.79%	17.75%
2001	80.00%	84.00%	13.89%	19.25%
2002	75.00%	107.00%	14.94%	20.57%
2003	79.00%	91.00%	15.32%	18.70%
2004	77.00%	110.00%	17.11%	19.99%
2005	79.00%	137.00%	19.66%	20.81%

The report of the annual actuarial valuation at December 31, 2005 covering the participation of Summit Township in the System is available upon request at the Township's office. Information regarding the Michigan Employee Retirement System Financial Statements is also available at the Township's office.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN: (Continued)

Ten-year historical trend information is included:

REQUIRED SUPPLEMENTARY INFORMATION - ANALYSIS OF FUNDING PROGRESS

Valuation Date December 31	Accrued Liabilities	Valuation Assets	Percent Funded (1)/(2)	Unfunded (Overfunded) UAL (2)-(1)	Annual Payroll	UAL as a % of annual Payroll (4)/(5)
1997	3,161,830	2,922,219	92%	239,611	773,015	31%
1998	3,701,082	3,285,874	89%	415,208	992,365	42%
1999	4,029,275	3,777,643	94%	251,632	1,053,768	24%
2000	4,789,794	4,144,852	87%	644,942	1,144,721	56%
2001	5,479,918	4,411,029	80%	1,068,889	1,287,321	83%
2002	5,984,799	4,513,791	75%	1,471,008	1,380,281	107%
2003	6,180,929	4,868,054	79%	1,312,875	1,447,022	91%
2004	6,760,956	5,227,445	77%	1,533,511	1,400,340	110%
2005	6,968,812	5,507,846	79%	1,460,966	1,067,337	137%

Notes: Actuarial assumptions for MERS valuations were revised for 2004 valuations.

Total required life liabilities are reflected in MERS UAL figures beginning in 1984.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN: (Continued)

NON-UNION

COMPUTED EMPLOYER CONTRIBUTIONS-COMPARATIVE STATEMENT

Valuation Date December 31	Number	Annual Payroll	Employer Contribution as Percent of Payroll	
			Regular Contribution	Minimum Required Contribution
1996	18	389,874	12.52%	11.02%
1997	21	450,410	15.24%	15.24%
1998	22	578,422	15.74%	15.74%
1999	22	569,197	15.31%	15.31%
2000	21	579,921	17.75%	17.75%
2001	22	680,068	19.25%	19.25%
2002	22	732,890	20.57%	20.57%
2003	23	764,218	18.70%	18.70%
2004	22	731,437	19.99%	19.99%
2005	20	713,458	20.81%	20.81%

Notes: Actuarial assumptions were revised for MERS valuations in 2005.

UNION

COMPUTED EMPLOYER CONTRIBUTIONS-COMPARATIVE STATEMENT

Valuation Date December 31	Active Members		Employer Contribution as Percent of Payroll	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1996	10	323,323	11.00%	9.68%
1997	11	322,605	10.56%	10.56%
1998	12	413,943	11.20%	11.20%
1999	16	484,571	10.38%	10.37%
2000	16	564,800	10.79%	10.79%
2001	15	607,253	13.89%	13.89%
2002	15	647,391	14.94%	14.94%
2003	15	682,804	15.32%	15.32%
2004	15	668,903	17.11%	17.11%
2005	12	353,879.00	19.66%	19.66%

Notes: Actuarial assumptions were revised for MERS valuations in 2005.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - SEGMENT INFORMATION:

The Township maintains the Water and Sewer Enterprise Fund as its only enterprise fund. Segment information for the year ended March 31, 2006 is as follows:

	WATER AND SEWER FUND
Operating revenues	\$ 3,123,077
Depreciation expense	867,804
Operating income (loss)	(260,886)
Change in net assets	(274,006)
Fixed assets additions	779,846
Fixed assets (deletions)	(41,323)
Net working capital	2,359,404
Total assets	24,185,673
Outstanding long-term liabilities:	
Payable from operating sources	3,330,000
Payable from other sources	-
Total equity	20,558,783

NOTE 13 – RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded commercial insurance coverage amounts in any of the past three fiscal years.

NOTE 14 – OTHER POSTRETIREMENT BENEFITS:

The Township provides postretirement health benefits for certain retirees and their spouses, as per the requirements of a Township Board resolution. The Township pays 100 percent of the premiums of health coverage for employees and their spouse who retires with 20 years of service and have reached the age of 55 or combination of service and age equaling 80 with a minimum of 15 years of service. Surviving spouses are covered at a single person rate for life or until remarried. These transactions are accounted for in the Medical Insurance Expendable Trust Fund. Expenditures under the plan totaled \$119,447 during the fiscal year ended March 31, 2006, and are funded on a pay as you go basis.

SUMMIT TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED MARCH 31, 2006

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:				
STATE SHARED REVENUES:				
Sales tax	1,545,000	1,527,000	1,526,764	(236)
FINES AND FORFEITURES:				
Police fines	35,000	22,900	24,391	1,491
INTEREST AND RENTALS:				
Interest on investments	58,000	80,000	85,988	5,988
TAXES AND PENALTIES:				
Current property taxes	468,000	467,600	467,816	-
Delinquent property taxes	1,600	800	628	-
Interest and penalties	26,000	16,700	13,837	-
Administrative fees	175,000	177,900	175,826	-
Total	670,600	663,000	658,107	(4,893)
LICENSES AND FEES:				
Franchise fees	133,000	128,500	128,529	-
Trailer park fees	1,500	1,500	1,467	-
Liquor licenses	8,800	12,100	10,382	-
IFT certificate fees	300	1,000	1,050	-
Zoning fees and variance applications	9,800	5,900	6,200	-
Telecommunication fees	26,000	30,000	30,062	-
Total	179,400	179,000	177,690	(1,310)
OTHER:				
Government grants	90,000	74,600	74,685	-
Administrative fees - From other governmental units	24,300	24,400	24,480	-
Administrative fees - From other funds	160,000	160,000	160,000	-
Sewer Letters	5,400	6,300	6,275	-
Miscellaneous	234,000	228,200	228,805	-
Total	513,700	493,500	494,245	745
Total Revenue	3,001,700	2,965,400	2,967,185	1,785

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES:				
LEGISLATIVE:				
TOWNSHIP BOARD:				
Salaries and wages	-	-	22,300	-
Employees' social security	-	-	1,508	-
Employees' health insurance	-	-	12,030	-
Employees' life insurance	-	-	329	-
Retirement contributions	-	-	4,252	-
Office supplies	-	-	1,372	-
Professional services	-	-	81,735	-
Printing and publishing	-	-	4,370	-
Education and training	-	-	15	-
Insurance and bonds	-	-	34,280	-
Membership and dues	-	-	6,179	-
Total legislative	147,800	170,800	168,370	2,430
GENERAL GOVERNMENT:				
TOWNSHIP SUPERVISOR:				
Salaries and wages	-	-	24,573	-
Employees' social security	-	-	1,935	-
Employees' health insurance	-	-	3,072	-
Employees' life insurance	-	-	97	-
Retirement contributions	-	-	4,613	-
Office supplies	-	-	40	-
Membership and dues	-	-	40	-
Education and training	-	-	278	-
Insurance and bonds	-	-	40	-
Total township supervisor	36,400	35,500	34,688	812
ELECTIONS:				
Salaries and wages	-	-	2,660	-
Office supplies	-	-	291	-
Maintenance supplies	-	-	70	-
Printing and publishing	-	-	1,739	-
Total elections	3,700	5,800	4,760	1,040

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT: (Continued)				
ASSESSING:				
Salaries and wages	-	-	130,721	-
Employees' social security	-	-	11,004	-
Employees' health insurance	-	-	14,140	-
Retirement contribution	-	-	25,794	-
Employees' life insurance	-	-	194	-
Unemployment insurance	-	-	11	-
Office supplies	-	-	1,839	-
Printing and publishing	-	-	26	-
Insurance and bonds	-	-	1,721	-
Education and training	-	-	967	-
Tax roll preparation	-	-	5,027	-
Computer supplies	-	-	2,705	-
Membership and dues	-	-	250	-
Lease	-	-	6,000	-
Total assessing	204,100	211,200	200,399	10,801
TOWNSHIP CLERK:				
Salaries and wages	-	-	73,700	-
Employees' social security	-	-	7,213	-
Employees' health insurance	-	-	6,526	-
Employees' life insurance	-	-	140	-
Retirement contribution	-	-	11,819	-
Membership and dues	-	-	60	-
Office supplies	-	-	696	-
Education and training	-	-	419	-
Insurance and bonds	-	-	394	-
Total township clerk	116,300	106,200	100,967	5,233

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT: (Continued)				
TOWNSHIP TREASURER:				
Salaries and wages	-	-	69,574	-
Employees' social security	-	-	5,450	-
Employees' health insurance	-	-	17,294	-
Employees' life insurance	-	-	178	-
Retirement contribution	-	-	12,583	-
Office supplies	-	-	9,516	-
Computer supplies	-	-	1,995	-
Insurance and bonds	-	-	256	-
Education and training	-	-	1,335	-
Membership and dues	-	-	260	-
Lease	-	-	3,000	-
Total township treasurer	133,300	120,600	121,441	(841)
TOWNSHIP HALL AND GROUNDS:				
Office supplies	-	-	7,730	-
Computer supplies	-	-	9,357	-
Maintenance supplies	-	-	2,105	-
Public utilities	-	-	18,738	-
Telephone	-	-	3,852	-
Equipment rental	-	-	6,691	-
Maintenance of grounds	-	-	32,321	-
Total township hall and grounds	87,600	84,700	80,794	3,906
Total General Government	581,400	564,000	543,049	20,951
PUBLIC SAFETY:				
POLICE DEPARTMENT:				
Salaries and wages	-	-	12,041	-
Employees Social Security	-	-	811	-
Contracted services	-	-	399,059	-
Office supplies	-	-	313	-
Professional services	-	-	10,025	-
Gas and mileage	-	-	2,875	-
Insurance and bonds	-	-	202	-
Telephone	-	-	628	-
Total police department	442,300	435,200	425,954	9,246

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC SAFETY: (Continued)				
FIRE DEPARTMENT:				
Salaries and wages	-	-	852,112	-
Employees' social security	-	-	58,775	-
Employees' health insurance	-	-	127,604	-
Employees' life insurance	-	-	910	-
Retirement contribution	-	-	136,745	-
Membership and dues	-	-	1,109	-
Clothing and safety gear	-	-	6,749	-
Office supplies	-	-	1,140	-
Uniforms	-	-	8,587	-
Maintenance supplies	-	-	15,295	-
Vehicle maintenance	-	-	37,333	-
Radio maintenance	-	-	1,137	-
Insurance and bonds	-	-	28,050	-
Public utilities	-	-	11,926	-
Telephone	-	-	3,851	-
Computer supplies	-	-	2,174	-
Education and training	-	-	13,739	-
Employee physicals	-	-	6,423	-
Gas and mileage	-	-	11,465	-
Lease	-	-	3,000	-
Capital outlay	-	-	83,380	-
Total fire department	1,418,600	1,333,000	1,411,504	(78,504)
Total Public Safety	1,860,900	1,768,200	1,837,458	(69,258)
OTHER FUNCTIONS:				
Zoning	-	-	46,080	-
Cemetery	-	-	3,500	-
Sanitary landfill	-	-	17,118	-
Roads and streets	-	-	64,975	-
Board of Appeals	-	-	960	-
Planning commission	-	-	4,492	-
Board of Review	-	-	1,918	-
Recreation committee	-	-	486	-
Miscellaneous	-	-	6,886	-
Total other functions	163,100	153,800	146,415	7,385
Total Expenditures	2,753,200	2,656,800	2,695,292	(38,492)
Excess (deficiency) of revenues over (under) expenditures	248,500	308,600	271,893	(36,707)

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFERS OUT:				
Improvement revolving fund	-	-	(100,000)	-
Equipment fund	-	-	(100,000)	-
Medical Insurance fund	-	-	(150,000)	-
Public improvement fund	-	-	(100,000)	-
Building code fund	-	-	(30,000)	-
Total other financing sources (uses)	(450,000)	(480,000)	(480,000)	-
Net change in fund balance	(201,500)	(171,400)	(208,107)	(36,707)
Beginning of Year Fund Balance	\$ 2,237,234	\$ 2,309,203	\$ 2,309,203	\$ -
Budgetary Fund Balance - March 31, 2006	\$ 2,035,734	\$ 2,137,803	\$ 2,101,096	\$ (36,707)

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF FUNDING PROGRESS:

Date December 31	Accrued Liabilities	Valuation Assets	Funded (1)/(2)	UAL (2) - (1)
1996	2,484,374	2,514,170	101%	(29,796)
1997	3,161,830	2,922,219	92%	239,611
1998	3,701,082	3,285,874	89%	415,208
1999	4,029,275	3,777,643	94%	251,632
2000	4,789,794	4,144,852	87%	644,942
2001	5,479,918	4,411,029	80%	1,068,889
2002	5,984,799	4,513,791	75%	1,471,008
2003	6,180,929	4,868,054	79%	1,312,875
2004	6,760,956	5,227,445	77%	1,533,511
2005	6,968,812	5,507,846	79%	1,460,966

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2001	178,794	100%
2002	196,871	100%
2003	233,721	100%
2004	257,906	100%
2005	260,664	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Actuarial Cost Method	Entry age
Amortization Method	Level percent
Remaining Amortization Period	24 years
Asset Valuation Method	4 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases*	4.5%
*Includes Inflation at	3.0%

SUMMIT TOWNSHIP

ADDITIONAL INFORMATION

FISCAL YEAR ENDED MARCH 31, 2006

SUMMIT TOWNSHIP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2006

	<u>BUILDING AND SITE</u>	<u>PUBLIC IMPROVEMENT</u>
ASSETS		
Cash and cash equivalents	\$ 377,033	\$ 515,167
Investments	118,727	312,365
Accounts receivable	-	-
Accrued interest receivable	17	154
Due from Jackson County	-	-
	<u>-</u>	<u>-</u>
Total assets	<u>\$ 495,777</u>	<u>\$ 827,686</u>
 LIABILITIES AND FUND BALANCE		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	1,359
Total liabilities	<u>-</u>	<u>1,359</u>
Fund balance - Unreserved	<u>495,777</u>	<u>826,327</u>
Total liabilities and fund balance	<u>\$ 495,777</u>	<u>\$ 827,686</u>

The accompanying notes are an integral part of the financial statements.

EQUIPMENT	STREET LIGHTS	IMPROVEMENT REVOLVING FUND	BUILDING CODE	TOTAL
\$ 507,841	\$ 129,096	\$ 360,262	\$ 54,893	\$ 1,944,292
142,646	-	523,757	-	1,097,495
-	-	-	2,812	2,812
139	-	176	-	486
-	9,190	-	-	9,190
<u>\$ 650,626</u>	<u>\$ 138,286</u>	<u>\$ 884,195</u>	<u>\$ 57,705</u>	<u>\$ 3,054,275</u>
\$ -	\$ 11,331	\$ -	\$ -	\$ 11,331
-	-	-	1,710	1,710
-	-	-	15,182	16,541
-	11,331	-	16,892	29,582
650,626	126,955	884,195	40,813	3,024,693
<u>\$ 650,626</u>	<u>\$ 138,286</u>	<u>\$ 884,195</u>	<u>\$ 57,705</u>	<u>\$ 3,054,275</u>

SUMMIT TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
MARCH 31, 2006

	BUILDING AND SITE	PUBLIC IMPROVEMENT
REVENUES:		
Property tax	\$ -	\$ -
Permit fees	-	-
Interest	12,726	27,235
Miscellaneous	150	-
Total revenues	<u>12,876</u>	<u>27,235</u>
EXPENDITURES:		
Salaries and wages	-	-
Employees' social security	-	-
Employees' health insurance	-	-
Employees' life insurance	-	-
Retirement contribution	-	-
Unemployment taxes	-	-
Office supplies	-	-
Professional services	11,000	-
Memberships and dues	-	-
Insurance and bonds	-	-
Public works and utilities	-	-
Telephone	-	-
Education and training	-	-
Miscellaneous	4,037	2,719
Lease	-	-
Capital outlay	-	-
Total expenditures	<u>15,037</u>	<u>2,719</u>
EXCESS OR REVENUES OVER (UNDER) EXPENDITURES	<u>(2,161)</u>	<u>24,516</u>
OTHER FINANCING SOURCES:		
Operating transfers in	-	100,000
Operating transfers out	-	-
Total other financing sources	<u>-</u>	<u>100,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(2,161)	124,516
FUND BALANCE - Beginning of year	<u>497,938</u>	<u>701,811</u>
FUND BALANCE - End of year	<u>\$ 495,777</u>	<u>\$ 826,327</u>

The accompanying notes are an integral part of the financial statements.

EQUIPMENT	STREET LIGHTS	REVOLVING FUND	BUILDING CODE	TOTAL
\$ -	\$ 128,826	\$ -	\$ -	\$ 128,826
-	-	-	140,755	140,755
20,183	592	29,774	370	90,880
-	-	-	-	150
20,183	129,418	29,774	141,125	360,611
-	-	-	87,893	87,893
-	-	-	7,767	7,767
-	-	-	5,600	5,600
-	-	-	129	129
-	-	-	17,587	17,587
-	-	-	791	791
-	-	-	465	465
-	-	-	21,600	32,600
-	-	-	200	200
-	-	-	1,788	1,788
-	127,559	-	900	128,459
-	-	-	995	995
-	-	-	3,228	3,228
-	180	-	-	6,936
-	-	-	3,000	3,000
71,550	-	-	-	71,550
71,550	127,739	-	151,943	368,988
(51,367)	1,679	29,774	(10,818)	(8,377)
100,000	-	100,000	30,000	330,000
-	-	-	-	-
100,000	-	100,000	30,000	330,000
48,633	1,679	129,774	19,182	321,623
601,993	125,276	754,421	21,631	2,703,070
\$ 650,626	\$ 126,955	\$ 884,195	\$ 40,813	\$ 3,024,693

SUMMIT TOWNSHIP
SCHEDULE OF INDEBTNESS
MARCH 31, 2006

<u>WATER AND SEWER ENTERPRISE FUND</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>
GENERAL OBLIGATION BONDS:			
Michigan State Revolving Loan Fund	09/29/98	\$ 4,630,000	2.50%
(Township of Summit) Bonds			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%

The accompanying notes are an integral part of the financial statements.

<u>DATE OF MATURITY</u>	<u>PRINCIPAL DUE</u>	<u>INTEREST DUE</u>	<u>FISCAL YEAR TOTAL</u>
10/01/06	200,000	41,625	280,750
04/01/07		39,125	
10/01/07	205,000	39,125	280,687
04/01/08		36,562	
10/01/08	210,000	36,563	280,500
04/01/09		33,937	
10/01/09	215,000	33,938	280,188
04/01/10		31,250	
10/01/10	225,000	31,250	284,687
04/01/11		28,437	
10/01/11	230,000	28,438	284,000
04/01/12		25,562	
10/01/12	235,000	25,563	283,188
04/01/13		22,625	
10/01/13	240,000	22,625	282,250
04/01/14		19,625	
10/01/14	245,000	19,625	281,187
04/01/15		16,562	
10/01/15	250,000	16,563	280,000
04/01/16		13,437	
10/01/16	260,000	13,438	283,625
04/01/17		10,187	
10/01/17	265,000	10,188	282,063
04/01/18		6,875	
10/01/18	270,000	6,875	280,375
04/01/19		3,500	
10/01/19	280,000	3,500	283,500
	<u>\$ 3,330,000</u>	<u>\$ 617,000</u>	<u>\$ 3,947,000</u>

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD

JACKSON, MICHIGAN 49203

PHONE (517) 782-9351

FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

September 15, 2006

Board of Trustees
Summit Township

We have audited the general purpose financial statements of Summit Township for the year ended March 31, 2006, and have issued our report thereon dated September 15, 2006. Professional standards require that we provided you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 5, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Summit Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Summit Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2006. We noted no transactions entered into by Summit Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Summit Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Summit Township's financial reporting process. (Adjustments included year end recording of accruals.)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Summit Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Summit Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Markowski & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

MARKOWSKI & COMPANY, CPAs

SUMMIT TOWNSHIP
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 2006

Budgeting Procedures

As disclosed in Note 2, the Township spent amounts in excess of the approved budget during the year ended March 31, 2006. This is a violation of Public Act 621 of 1978. Budget variances of this sort are not unusual in governmental accounting. The Township management has been monitoring and amending the budget as necessary, the budget variances noted were minor when compared to the overall budget of the Township.

Segregation of Duties

Because of the limited size of Summit Township's accounting department, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Township. Township executives - supervisor, clerk and treasurer need to continue exercising appropriate management oversight to compensate for this. The township does segregate duties as much as possible for its size. The solution would be to hire additional employees, which would be an inefficient use of Township resources.

Inventory

The Water and Sewer Fund's inventory consists of grinder pumps purchased by the Township for resale to contractors. Based upon our auditing procedures for inventory, we found that sales of grinder pumps did not reconcile with the number of grinder pumps on demand at March 31, 2006. We suggest that perpetual inventory records be kept by the Department of Public Works and be turned into the accounting department so that a reconciliation can be done on a monthly basis.